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THURSDAY, AUGUST 4, 2005  
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## **BUSINESSMEN CONVICTED IN SCHEME TO EVADE \$1.9 MILLION IN TAXES ON SALES OF OZONE-DEPLETING CHEMICAL**

WASHINGTON, D.C. – Dov Shellef and William Rubenstein were convicted of conspiring to evade approximately \$1.9 million in excise taxes due on sales of an ozone-depleting chemical called trichlorotrifluoroethane (CFC-113), the Justice Department, Roslynn R. Mauskopf, United States Attorney for the Eastern District of New York, and the Internal Revenue Service (IRS) announced today. A jury returned the guilty verdicts on July 28, 2005, following a five-week trial before U. S. District Judge Joanna Seybert in Central Islip, New York. Shellef, of Great Neck, New York, was also convicted of 87 counts of wire fraud, tax evasion, subscribing to false tax returns and money laundering. Rubenstein, of Colts Neck, New Jersey, was also convicted of wire fraud.

The federal Clean Air Act banned the continued importation and production of CFC's in the United States in 1996, though manufacturers were permitted to sell and export CFC that had been stockpiled prior to the ban. CFC's are used primarily as refrigerants and industrial solvents, and when released into the air migrate into the upper atmosphere and destroy ozone, a naturally occurring gaseous compound that protects the earth from the sun's harmful ultraviolet radiation. These chemicals are subject to a substantial excise tax—imposed to discourage their use and to promote the transition to more ozone-friendly replacement products. The excise tax applied to domestic sales of stockpiled CFCs, but not sales for export.

“These convictions reflect the Justice Department's commitment to ensuring individuals who threaten the welfare of the public and the environment for their own profit will be brought to justice,” said Acting Assistant Attorney General Kelly A. Johnson, of the Environment and Natural Resources Division.

Shellef, who owned two businesses involved in the purchase and sale of CFC-113, and Rubenstein—who also controlled two businesses involved in the purchase, packaging, warehousing, shipping and sale of CFC-113—purchased large quantities of the chemical. The defendants represented to the manufacturers that they intended to export the product, and thus the manufacturers did not collect or pay any excise tax on the product.

Beginning in approximately July 1997, knowing that they had purchased the CFC-113 tax-free, the defendants illegally diverted the product to a number of domestic customers. To conceal these domestic sales, the defendants removed references to the original manufacturers on drums of the chemical and relabeled the product. In addition, they created false shipping documents stating that the product was being sold "For Export Only" and "Reclaimed," knowing that the new product being sold domestically. For all of the domestic sales of CFC-113, the unpaid excise taxes totaled approximately \$1.9 million.

The defendants each face maximum sentences of 25 years in prison and \$500,000 in fines for the conspiracy and wire fraud convictions. In addition, Shellef faces a maximum sentence of 20 years on the money laundering convictions and a fine of \$500,000 or twice the property involved in the offenses. The false corporate tax return charges each carry maximum sentences of three years and fines of \$250,000, and the personal income tax evasion charge carries a maximum sentence of five years and a fine of \$250,000. Shellef also faces forfeiture of over \$1 million of funds involved in the money laundering offenses.

The investigation began as Environmental Protection Agency (EPA) and Drug Enforcement Administration (DEA) agents traced the supply of CFC-113 to California "meth labs" that used the product for the illegal manufacture of methamphetamine. The investigation revealed that a company called All Discount Lab Supplies was selling CFC-113 to individuals who used the product in meth labs, and the principals of All Discount Labs have since pleaded guilty to selling CFC-113 with reasonable cause to believe it was being used for the illegal manufacture of methamphetamine. Although Shellef and Rubenstein were not indicted on drug charges, the investigation revealed that they were major suppliers of CFC-113 to All Discount Labs. When used in meth labs, the CFC-113 is typically released directly into the atmosphere.

"The defendants defrauded the government of nearly two million dollars of tax revenue and disregarded the environmental harm that their scheme posed," said U.S. Attorney Mauskopf. "We will continue to work with the Environment and Natural Resources Division of the Department of Justice and the Internal Revenue Service to prosecute those who would reap unlawful profits while placing the environment at risk."

The government's case was prosecuted by Assistant U.S. Attorney Thomas R. Fallati of the U.S. Attorney's Office for the Eastern District of New York, and Lary Larson, Trial Attorney with the U.S. Department of Justice, Environmental Crimes Section, Environmental and Natural Resources Division. The case was investigated by Special Agent Caroline Truesdell of the Internal Revenue Service, with assistance from EPA, DEA, and the Defense Criminal Investigative Service (DCIS).

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